

February 2, 2009

A special called joint meeting of the Council of the City of Martinsville, Virginia and Martinsville City School Board was held on February 2, 2009 at the City School Board office, 746 Indian Trail, at 7:00 PM, with Mayor Kathy Lawson presiding. Council Members present included: Kathy Lawson, Kimble Reynolds, Jr., Gene Teague, Mark Stroud, Sr., and Danny Turner. Representatives from School Board included: Jim Johnson, Bill Manning, Robert Williams, Sandra Haley, and Nancy Baker. City staff present included: Clarence Monday, Eric Monday, Leon Towarnicki, Iris Read, Mike Rogers, Scott Coleman, and Ashby Pritchett. School staff present included: Dr. Scott Kizner, Travis Clemons, Pam Heath, and Lynda Pulliam. Mayor Lawson called the Council meeting to order and School Board Chairman Jim Johnson called the School Board meeting to order.

City Manager Clarence Monday made comments regarding how the Health Care Committee was formed because of the continuing rising costs of employee health care coverage. He felt there was a need for the task force to study the problem and identify solutions for consideration. The Health Care Advisory Committee was created in May 2008 to: (1) consider alternative approaches to health care benefits for active employees and pre-Medicare retirees (2) communicate and gather feedback from active and retired employees and (3) recommend plan of action to School Board and City Council. He pointed out that this Council work session is an informational session to bring the information to Council and the School Board. The City Manager commended the Human Resources professionals, Iris Read with the City, and Pam Heath with the schools, and those serving on the committee for their excellent work on this project.

Iris Read and Pam Heath reported the following served on the committee: Council Member Gene Teague, Circuit Ct. Clerk Ashby Pritchett, City Retiree Jerry Brock, Public Works Jason Biggs, Water Resources Carman McDowell, Police Department Jim Minter, Iris Read, School Board Member Robert Williams, School Retiree Susan McGregor, Finance Travis Clemons, Albert Harris Pam Mason, High School Patrick Shuler, High School Heather Tolbut, and Pam Heath. Also, they introduced Tom MacKay and Dave Talbert, Benefits Consultants with Keiter, Slabaugh, Penny & Holme.

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Pam and Iris shared statistics on the current employee health plan noting: that rate increases in excess of 40% over past five years have resulted in higher premiums for employees; plan design changes had to be implemented which reduced benefits and created additional out-of-pocket expenses; and continued decline in enrollment and coverage of dependents: 23% reduction in membership since January 2005 (929 participants in January 2003 compared to 719 in January 2009). Recommendations from the committee included: (1) seek proposals for 2009-2010 for a variety of plans (proposals were sought in December 2008-last RFP was December 2007); (2) ask City Council to consider increasing employer contribution; (3) increase amount that employees can contribute to Flexible Medical Spending Account to \$5004 (this was approved by Council January 2009); (4) examine funding options for retirees.

Benefits consultants, Tom MacKay and Dave Talbert, presented information to Council which included observations: the employer contribution for medical insurance is not competitive with other local government employers in Virginia; the city/schools average contract size is 1.1, norm is 1.5 to 2.0; out of network utilization is high; early retirees continue to have an adverse effect on the claims experience of the plan—eliminating retiree coverage will not take all of the costs out of the plan, since active employees will defer retirement to maintain health insurance coverage; cost for individual health insurance for members between 55 and 65 is cost-prohibitive; consultants recommended reviewing a self-insured option the year after an RFP year, since you have access to aggressive, full insured pricing from carriers in RFP years; under fully insured programs, disease management programs from Anthem and Southern Health are included in the pricing structure and a separate disease management program will not be cost effective until the City moves to a self-funded program or performs a comprehensive utilization study on healthcare cost drivers. The current plan design requires significant out of pocket costs for employees and the consultants do not recommend modifying plan design features that will increase employee contributions and discourage participation. They discussed in the detail the three alternative strategies with the Anthem plan which they recommended which included: (1) High deductible Health Plan (HDHP) insured with Anthem (2) health savings account (HSA) (3) health reimbursement

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account (HRA). Consultants recommended a 15% increase in employer contribution for active employees and retiree employer contribution to remain at \$195 per month. Next steps include: (1) finalize employer/employee contribution strategy (2) decide on retiree cost structure (3) plan design consensus (4) set up implementation schedule and process for new vendors (5) finalize HSA and HRA administration.

Discussion among Council members and School Board members included: education of the employees and marketing the plan will be a real challenge; Council and School Board will have to finalize their decision by the end of March; it was pointed out that Henry County schools pays 100% of their health care costs and it becomes a recruitment issue, however, county does not pay any towards retirees; based on budgetary conditions in the city, Council Member Teague pointed out that the 15% employer contribution seems too high and from a planning perspective, a 5% increase is enough, costing the city about \$90,000, and that could possibly be increased if budget allows it; no consensus was reached at this meeting as to the percentage of the employer contribution; Council will discuss this further at the February 18 work session; a consensus was reached that Council and School Board agreed the health plan does need to be changed and the employer contribution amount will be discussed further by both boards.

There being no further business to come before Council during their special meeting, the meeting adjourned at 9:20 PM.

Clarence Monday
Clerk of Council

Kathy C. Lawson
Mayor